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E.O. 11652: N/A

TAGS: PFOR, GW

SUBJECT: HELMUT SCHMIDT'S FIRST YEAR AS CHANCELLOR

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SUMMARY: SCHMIDT MADE AN INTERNATIONAL NAME FOR HIM-

SELF EARLY ON IN HIS CHANCELLORSHIP, BUT HIS RESTORATION OF THE DOMESTIC POLITICAL FORTUNES OF THE SPD/FDP COALITION DURING THE PAST YEAR IS THE MORE REMARKABLE ACHIEVEMENT. THE NORTH RHINE-WESTPHALIA ELECTION BEARS OUT THE CONCLUSION THAT, DESPITE A DIFFICULT ECONOMIC SITUATION, AND IN THE FACE OF DIFFICULTIES WITHIN THE SPD AND BETWEEN THE COALITION PARTIES, SCHMIDT HAS LARGELY HALTED THE VOTING TREND AWAY FROM THE GOVERNMENT. THE SPD/FDP POLITICAL EDGE REMAINS VERY NARROW, HOWEVER, AND THE 1976 NATIONAL ELECTION IS BEGINNING TO LOOM OVER THE HORIZON. SCHMIDT WILL LIKELY CONTINUE THE GENERALLY CONSERVATIVE POLICY APPROACHES WHICH, COMBINED WITH HIS CAREFULLY CULTIVATED IMAGE OF AN EFFECTIVE MANAGER, HAVE WON HIM BROAD POPULAR SUPPORT. IN FOREIGN AFFAIRS, HIS PRIMARY INTEREST WILL REMAIN THE INTERNATIONAL ECONOMIC SITUATION. END SUMMARY

1. THE INTERNATIONAL HERALD TRIBUNE IN MID-APRIL PUBLISHED A SPECIAL REPORT, "FOCUS ON GERMANY", THE LEAD ARTICLE OF WHICH DESCRIBED CHANCELLOR SCHMIDT AS "A POLITICIAN ON THE RUN WHO HAS BEEN UNABLE TO STEM THE TIDE OF IMPENDING DISASTER FOR HIS LEFT-LIBERAL COALITION GOVERNMENT OF SOCIAL AND FREE DEMOCRATS." EVEN AT THE TIME THE IHT REPORT APPEARED, THIS JUDGMENT SEEMED ALREADY BEHIND THE TIMES. THE SCHLESWIG-HOLSTEIN ELECTIONS HAD JUST TAKEN PLACE AND SHOWN A PALPABLE SLOWING DOWN OF THE PAST TREND OF CDU GAINS AT SPD EXPENSE--AND, AT THE SAME TIME, A REMARKABLE RECOVERY ON THE PART OF THE FDP, THE JUNIOR COALITION PARTNER. LAST SUNDAY'S KEY ELECTION IN NORTH RHINE-WESTPHALIA, AND ALSO THE ELECTION THE SAME DAY IN THE SAAR--WHICH COINCIDED WITH THE FIRST ANNIVERSARY OF SCHMIDT'S CHANCELLORSHIP--BEAR OUT THE MARKED IMPROVEMENT IN THE STANDING AND PROSPECTS OF THE SPD/FDP COALITION.

2. IF THE FIRST BUSINESS OF A POLITICIAN IS TO CONSOLIDATE HIS POWER BASE, THEREFORE, SCHMIDT MUST GET THE HIGHEST MARKS FOR HIS PERFORMANCE IN HIS FIRST YEAR LIMITED OFFICIAL USE

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IN OFFICE. HE SUCCEEDED TO A DAUNTING SITUATION. THE SPD, AND BEYOND IT THE COALITION AS A WHOLE, WAS BADLY SHAKEN BY THE FACT AND THE CIRCUMSTANCES OF BRANDT'S RESIGNATION. SCHMIDT HAD TO CONTEND WITH DEEP-GOING DIFFERENCES WITHIN THE TOP SPD LEADERSHIP, WHERE THE ANTIPATHY BETWEEN BRANDT AND WEHNER WAS A MATTER OF LIVELY PARTY AND PUBLIC COMMENT. IN HIS YEAR AS CHANCELLOR, SCHMIDT HAS SUCCEEDED IN STABILIZING A

FLUID AND POTENTIALLY DISRUPTING SITUATION WITHIN THE SPD. HE AND BRANDT, THOUGH NOT CLOSE TO EACH OTHER, HAVE REACHED A WORKABLE DIVISION OF LABOR. SCHMIDT HAS STRESSED IN PUBLIC THAT HE HAS NO DESIRE TO TAKE OVER FROM BRANDT AS PARTY CHAIRMAN. WEHNER HAS CONTINUED AS HEAD OF THE SPD BUNDESTAG FRAKTION, AND HIS ORGANIZATIONAL SKILL AND CONTROL IN PERSONNEL AS WELL AS IN POLICY MATTERS REMAIN A KEY ELEMENT IN THE SPD TOP PARTY STRUCTURE. REPORTS CONTINUE THAT SCHMIDT (AND DOUBTLESS BRANDT ALSO) ARE LOOKING HARD AT THE PROBLEM OF FINDING A SUCCESSOR FOR WEHNER, BUT THERE IS NO CLEAR INDICATION AS YET WHEN WEHNER WILL BOW OUT OR WHO WILL TAKE HIS PLACE. IT WOULD SEEM MOST LIKELY THAT, IN THE INTERESTS OF PARTY COHESION AND WITH THE END-OF-1976 ELECTION BEGINNING TO LOOM AHEAD, WEHNER WILL STAY IN PLACE UNTIL THEN. WITHIN THE SPD, SCHMIDT

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HAS TAKEN A MUCH FIRMER LINE WITH LEFTIST TRENDS,
NOTABLY AS REPRESENTED BY THE JUSOS, THAN EVER BRANDT
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DID. SCHMIDT'S ACTIONS IN THIS RESPECT HAVE HAD AN
ENCOURAGING EFFECT IN MODERATE SPD CIRCLES AND HAVE
BEEN POPULAR WITH THE ELECTORATE AS A WHOLE.

3. THE IHT SURVEY CORRECTLY NOTED THE CONTRAST BETWEEN
SCHMIDT'S VERY HIGH INTERNATIONAL REPUTATION AND HIS
MORE VULNERABLE, EMBATTLED SITUATION AT HOME. THE
NORTH RHINE-WESTPHALIA/SAAR ELECTION RESULTS SUGGEST THE
GAP IS NARROWING AND THAT SCHMIDT HAS FOUND A BALANCE
BETWEEN HIS FOREIGN AND DOMESTIC ACTIVITIES WITH
BENEFITS TO HIS STANDING WITH THE GERMAN ELECTORATE.
SEVERAL FACTORS ARE PROBABLY RELEVANT. IN RECENT
MONTHS THERE HAS BEEN A NOTICEABLE FALLING OFF IN
SCHMIDT'S FOREIGN POLICY ACTIVITIES. BY THE TURN OF
THE YEAR HE HAD HIS INITIAL WASHINGTON AND MOSCOW
VISITS AS CHANCELLOR BEHIND HIM, AND THERE HAS BEEN
NOTHING OF LATE TO MATCH HIS HEADLINE-CATCHING
PERSONAL ROLE IN THE ITALIAN LOAN, THE BRITISH LABOR
PARTY CONFERENCE, OR THE EARLIER MEETINGS WITH GISCARD
WHERE SCHMIDT WAS PORTRAYED AS A BROKER BETWEEN THE US
AND FRANCE. THE IMPRESSION FOR SOME TIME NOW HAS BEEN
THAT OF A MORE INWARD-LOOKING CHANCELLOR INTENT ON
DOMESTIC PROBLEMS, NOTABLY THE ECONOMY AND INTERNAL
SECURITY. PERHAPS THIS IMAGE OF SCHMIDT IS LARGELY
A REFLECTION OF THE FACT THAT THE COALITION HAS HAD TO
FACE A SERIES OF LAND ELECTIONS, AND THIS FORCED THE
CHANCELLOR'S ATTENTION AWAY FROM THE INTERNATIONAL
SCENE. NOW, WITH THE ONLY REMAINING LAND ELECTION THIS
YEAR THE RELATIVELY UNIMPORTANT CONTEST IN BREMEN AT
THE END OF SEPTEMBER, SCHMIDT MAY FEEL ABLE TO

BROADEN OUT AGAIN. HIS PLANNED CHINA VISIT, FOR ONE THING, WILL BRING HIM CENTER STAGE INTERNATIONALLY AGAIN.

4. PARTLY BECAUSE OF THE LAND ELECTIONS, IN ANY CASE, DOMESTIC PROBLEMS HAVE LOOMED LARGEST IN THE FRG POLITICAL SCENE IN RECENT MONTHS. (THERE HAS, OF COURSE, BEEN DEEP INTEREST IN DEVELOPMENTS IN THE MIDDLE EAST, VIET-NAM AND THE SOUTHERN FLANK, TO MENTION THE MOST STRIKING FOREIGN POLICY AREAS, BUT THE GERMAN ROLE, PARTICULARLY AS REGARDS THE MIDDLE EAST LIMITED OFFICIAL USE

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AND VIET-NAM, IS MARGINAL.) ON THE ECONOMIC FRONT, THE COALITION HAS BEEN ABLE TO POINT TO THE DROP IN THE INFLATION RATE, UNEMPLOYMENT DIPPED TO JUST OVER THE ONE MILLION MARK AT THE END OF APRIL, AND ALTHOUGH THE ECONOMIC UPSWING TOUTED BY THE SPD IS TAKING LONGER TO GET REALLY GOING THAN THE GOVERNMENT WOULD LIKE, THE FEELING SEEMS WIDESPREAD THAT THE WORST IS OVER. AN INTERNAL ISSUE MORE DRAMATIC THAN THE ECONOMY, AND ONE WHICH ENGAGED SCHMIDT IN AN ATMOSPHERE OF TENSION THAT CAUGHT UP THE ENTIRE COUNTRY, WAS INTERNAL SECURITY, SPECIFICALLY THE TERRORIST ACTS IN THE LORENZ AND STOCKHOLM EMBASSY INCIDENTS. SCHMIDT CAME OUT OF THESE VERY WELL. IN THE STOCKHOLM CASE PARTICULARLY, HE GAVE AN IMPRESSIVE DISPLAY OF EFFECTIVE MANAGEMENT--AND AN EQUALLY IMPRESSIVE SENSE OF PUBLIC RELATIONS. WITH A GOOD MEASURE OF LUCK, THE CHANCELLOR TURNED A POTENTIALLY VERY DAMAGING SITUATION INTO A POLITICAL PLUS.

5. IF SCHMIDT'S DOMESTIC POLITICAL ACHIEVEMENTS IN HIS FIRST YEAR AS CHANCELLOR HAVE BEEN NOTABLE, HE IS WELL AWARE HOW NARROW THE SPD/FDP EDGE IS, AND THIS WILL BE HIS MAIN PREOCCUPATION IN THE YEAR AND A HALF BEFORE THE 1976 NATIONAL ELECTION. THE CDU GOT THE LARGEST POPULAR VOTE IN BERLIN, SCHLESWIG HOLSTEIN, NORTH RHINE-WESTPHALIA AND THE SAAR. THE SPD IS DEPENDENT NATIONALLY AND IN THE LAENDER ON THE FDP. THE RECESSION MAY BE BOTTOMING OUT, THE INFLATION AND UNEMPLOYMENT RATES FALLING, BUT FRG DEPENDENCE ON THE EXPORT MARKET MAKES IT HIGHLY VULNERABLE TO INTERNATIONAL ECONOMIC MOVEMENTS. THE FACT THAT SCHMIDT'S POLITICAL MARGINS AT HOME ARE SMALL DOES NOT MEAN THAT HE LACKS ESSENTIAL FREEDOM OF ACTION OR INITIATIVE. HE IS BY NATURE A DOER. THE SPD PROCLAIMS HIM TO BE SUCH AND JUDGES, RIGHTLY, THAT THE CHANCELLOR'S BROAD POPULAR APPEAL RESTS ON HIS IMAGE AS A PRAGMATIC, ENERGETIC MANAGER. SCHMIDT'S FIRST INTERNATIONAL

PRIORITY IN THE TIME AHEAD WILL CONTINUE TO BE THE
INTERNATIONAL ECONOMIC SITUATION, TRADE, MONETARY
POLICY, ENERGY. HE WILL MAINTAIN HIS GENERALLY
CONSERVATIVE APPROACH TO EAST-WEST ISSUES INCLUDING
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CSCE AND MBFR, AND ALSO IN SOVIET-GERMAN BILATERAL
RELATIONS. WITH THE DOMESTIC POLITICAL BALANCE AS
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DELICATELY POISED AS IT IS, SCHMIDT WILL NOT BE
INCLINED TO EXPERIMENTS. THE GERMAN ELECTORATE HAS
MADE IT CLEAR THAT IT DOES NOT WANT INNOVATION, OR
IDEOLOGY, BUT REASSURANCE AND SOLID LEADERSHIP.

6. THE STAGE FOR THE 1976 ELECTION WILL BE SET IN ONE
KEY RESPECT WHEN THE CDU/CSU REACH A DECISION ON THEIR
CHANCELLOR CANDIDATE. IF, AS IS NOW GENERALLY ASSUMED,
HELMUT KOHL IS NOMINATED, SCHMIDT WILL BE RUNNING
AGAINST A MAN WHO, ALTHOUGH INTELLIGENT, ABLE AND
POPULAR IN A REGIONAL FRAMEWORK, HAS YET TO ACQUIRE
TRULY NATIONAL REPUTATION. IT IS THE CONSENSUS THAT,
IN KEY CAMPAIGN QUALITIES--QUICKNESS, DEBATING SKILL
AND POLITICAL BITE--KOHL CANNOT MATCH SCHMIDT. IT IS
STILL A LONG WAY UNTIL NEXT YEAR'S ELECTION, BUT A
PHYSICALLY WELL SCHMIDT RUNNING AGAINST KOHL, IN
CONJUNCTION WITH A MORE CONFIDENT FDP, WOULD AT THIS
POINT SEEM TO HAVE GOOD PROSPECTS ESPECIALLY IF, AS IS
BEING FORECAST, THERE IS A MARKED UPSWING IN THE
ECONOMY IN THE INTERIM.
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